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THE GOVERNMENT AS EMPLOYER¹

ALBERT SHAW, Vice-President of the Academy of Political Science, presiding: Carrying on a modern war means nothing short of the assumption by government of something like full control over the entire labor energy of the country. The principles involved are simple enough, but their application is difficult. Where a country is highly militarized in advance of a war, it is to a limited extent true that the undertaking is supported by past effort. In the main, however, war must be sustained out of current effort—that of workers in fields, shops, mines and transportation, as well as that of men in the direct fighting services. Success in a great modern war is imperilled if it is not clearly understood that there must be unity of war effort on the part of the entire population, with government guiding and regulating at all essential points. The withdrawal of millions of men from ordinary pursuits not only leaves a shortage of labor by reason of their going to the camps, but it also creates a stupendous demand for labor in new fields. The equipment and munitioning of armies, the building of ships and support of navies—the merest suggestion is enough to remind every intelligent person of the vastness of the transition that war brings about in the labor conditions of a nation.

Our participation in a war that compels us to co-operate with several European powers does not restrict or lessen the magnitude of the burden thrown upon American labor, but on the contrary increases it very greatly. The government's interest in food production, and therefore in farm labor, is largely due to the need of sustaining millions of people in Europe as well as providing for our own army and navy and our civilian workers. The government's control over the mining and distribution of coal in like manner is the more sweeping and necessary because of shipping needs and other industries vital to our Allies as well as to our own war activities. Even where the government does not assume direct employment—which it does assume in the case of the railroad system—or where it does not create new employment and indirectly control it (as it does in the case of shipbuilding) it uses indirect means, such as its assumption of control over all steel production, to divert labor from one form of industry to another. Thus government stops the construction of steel buildings in cities, and reduces the automobile industry to a minimum, in order that the materials themselves and also the workers may be at the service of industries more vital to the business of prosecuting the war.

The magnitude of war expenditures almost invariably increases the prices of commodities; and government's commandeering of the output of mines, mills, factories and shipyards leads to price-fixing, always on liberal

¹ Addresses at the luncheon session of the National Conference on War Economy, June 6, 1918.

terms. The cost of living meanwhile increases rapidly, and it becomes necessary to readjust money wages. The immense shifts from one form of employment to another, under war conditions, can best be brought about through the stimulus of very high wages. Nobody resists the government's use of the taxing power and the borrowing power; and a strong government like ours, commanding the resources of a rich country, can find the funds more rapidly than it can secure the materials and the labor that it needs. Speedy results are essential above all else, and these are best secured by according high wages to labor and paying correspondingly high prices for the commodities that labor produces.

Government in war-time, then, becomes a liberal employer, high wages meaning more or meaning less to the laborer in accordance with the ability or policy of the government's financing, as respects inflation of prices. Previously unutilized elements, such as the labor of women, are brought into service through the attraction of high wages and the stimulus of example. Luxurious spending is discouraged. The ordinary family has additional wage-earners, to take the place of those who have gone to the war. Thus with concentration upon the most vital things, and practice of the principles of thrift which government policy can find ways to promote, the labor shortage due to the enlistment of young men in the fighting services is met to a large extent.

Government policy as respects labor in war-time is certain to have social consequences of a permanent kind, and these may be quite as important in the long run as the international adjustments brought about by the use of armed force. Heroic times call for swift decisions, and it is found possible to give immediate effect to measures in the direction of social progress which might otherwise have halted for a generation or two. Almost everything depends upon the conceptions that are in the minds of those who have it in their power to make these critical decisions. Thus if a great war be short, and its wastage and destruction not too great, there may be certain compensating advantages resulting from the unity of a nation in a period of danger, calling for intense effort and self-sacrifice.

In a democracy, the one clear mark of progress is the average improvement of all the people—first, in what we may call “morale”; second, in economic condition. Morale implies intelligence, solidarity, the confident acceptance by a large majority of what are deemed beneficial aims and motives in the direction of the body politic. Morale implies the orderly pursuit of wise and wholesome things, the submission to just laws, the striving for an environment that promotes popular education and ministers to physical or moral health. Economic progress makes account of improved standards of living, with guaranties against the old-time menace of poverty, with well assured returns for labor, and with enough stability to make for thrift and contentment.

When, in the emergency of a great war, government is obliged to recognize individual efficiency, and to dignify courage and manhood, there may well be rapid advances in real democracy. Our own government, in its classification of its citizenship, requires the services of several million young men for the army and navy. It thinks of them not as “cannon fodder,” but

as its most precious element and possession, its future rulers and leaders in all forms of activity. It proposes to shelter, clothe and feed them well; it surrounds them with the best medical and sanitary care; and it undertakes to improve them physically and mentally before returning them to civil life. It provides them with life insurance, and it makes allotments to members of their families. In its relation to these men, the government conceives of itself as a wise employer, intent upon conserving and upbuilding his labor force by every salutary means he can discover.

In the production of war materials, the government finds itself obliged to consider the problems of labor from every standpoint. Its decisions are all in favor of reasonable hours, the encouragement of a spirit of patriotism and good will among the workers, generous wages, the provision of comfortable housing facilities, and the safeguarding of industrial neighborhoods, whether those of shipbuilding or munition plants, from infectious disease and from the contagion of vicious resorts.

It is obvious that the power to draft men for military service implies the power to draft men for the industries without which there could be no fighting. This power to draft labor as well as to control war industry puts government in a position which makes any sort of paralyzing conflict between labor and capital a practical impossibility. Both capital and labor must therefore accept the government's adjustments; and there must be no strikes or lockouts during war-time in any vital industry. This principle has been fully endorsed, and government mediation is settling all differences and gradually standardizing labor conditions. The result is that while our government is carrying on international war it is establishing industrial peace.

Many of the government's policies which have exhibited swiftness in decision and rapidity in execution have in reality been based upon long periods of previous study and experiment. This is true of those interesting model cities that we call "cantonments," in which many hundreds of thousands of soldiers will have been trained, with benefits—due to conditions and environment—that are easily shown in statistical averages. It is also true as regards plans for the housing of workers in the new industrial centers. Architects, engineers, sanitarians, industrial experts are all at hand, capable of giving wise direction to the expenditure of the millions appropriated by government for the housing of labor.

I am strongly inclined to the view that the generous policy of government toward labor is a wise form of conservatism. This is illustrated in the remarkable fact that more than seventeen million different individuals were able to subscribe to the third war loan. With the practicing of thrift and care, it will become possible for the wage-earners to hold very considerable portions of the successive loans placed by the government, while the encouragement of agriculture will tend to increase the number of farmers and gardeners owning their own homes and lands. Private property widely diffused makes for stable and conservative progress in a democracy like ours. In former war periods, the masses of people were relatively the heavy tax-payers; while at this time large business profits and large personal incomes are paying the bulk of the taxes. When rich men

pay the taxes and laboring men receive interest on their bonds, the tendency is a healthy one for a country that believes in popular progress and self-government.

THOMAS B. LOVE, Assistant Secretary of the Treasury: The topic of the Government as an Employer is a peculiarly appropriate one at this hour, when the government of the United States is an employer on a larger basis than ever before in its history. It is the largest employer in the world, the largest employer in the history of the world, and it is not too much to say that there is no single element in all our great war task that is of more importance than wisdom and prudence and essential justice in all of the phases of the nation's employment. The government at this time is the employer of something more than two million soldiers and sailors representing our fighting forces, and with respect to the basis upon which this employment is laid I think it may be fairly said that the government is an employer on a better basis than ever before in its history.

In all of the conflicts and contending opinions, since the war began, upon questions arising out of employment and incident to employment, there are some elemental facts upon which all schools of thought have agreed. An honest contract of employment, whether made by a government or a private employer, individual or corporate, and whatever the grade or character of the employment, must provide for a living wage; and it is generally agreed that a living wage means something more than the mere cost of subsistence for the worker while he is at work. It must also provide for the expenses of living for his natural dependents, and for the expenses of living of the worker and his natural dependents during the hours of the day and the days of the week when he does not work. Further, it must provide for them during those periods when he is unable to work through his physical disability, arising from disease or injury, whether occupational or otherwise, or from old age; and it must include provision for the support of his dependents after his death so long as the conditions of dependency may continue. These things are essential to the living of the employe. Without them life is not worth living. They are simply the fuels of service without which there can be no efficient service.

Contracts guaranteeing these things may contemplate that the employe shall be paid a fixed periodical stipend representing the cost of his ordinary living, and in addition the cost of providing for the contingencies which may arise in the event of his disability, old age or death. Such a contract may contemplate that the worker will set aside and conserve the portion of the wage representing these contingencies, so that when they arise he will have the means in hand to meet them; or, it may contemplate that he will provide for them through purchasing insurance protection against them. Another means is that the worker shall receive a fixed periodical stipend, and shall be committed to a reliance upon the voluntary contribution of the employer in the event of his disability or death or old age. Yet another would contemplate that the employer will pay the employe a fixed periodical stipend somewhat less than if the employe were to carry the risks I have described, upon the condition and with the agreement that the

employer himself will undertake to make certain and definite provisions, as a part of the contract of employment, and as a part of the compensation of the employe, for carrying him through periods of disability, and carrying his dependents in the event of his death.

I cannot better illustrate this latter method of compensation than by explaining briefly the basis upon which our two million and more soldiers and sailors are now employed by the government of the United States. In the War Risk Insurance Act and the other acts which fix the basis of employment for our fighting forces, the government says to the enlisted man, "We will pay you a certain fixed monthly compensation. We will furnish your food and clothing and all medical service. If you have a wife and children, either or both, we will require you to make a definite allotment out of your monthly pay, which shall not exceed one-half your pay, and to this allotment the government will add an equal or greater amount as an allowance and pay this allowance to your family and dependents monthly for their support. If you have no wife or child, and have other relatives dependent upon you for support, and you wish to make a voluntary allotment independently for their support; or, if you have beside a wife and children other dependent relatives, and you wish to make an allotment in addition to the compulsory allotment you are required to make for the support of your wife and children, the government will supplement that voluntary allotment with an equal or greater allowance, and disburse those allotments and allowances to dependent relatives other than wife or child on a monthly basis." In this way the government agrees with the soldier to make a certain definite dependable provision for his wife and children and these other dependent relatives while he is in the service.

It says also that if he becomes disabled or discharged on account of injury or disease arising in the line of duty, and not due to his own wilful misconduct, the government will pay him a certain fixed monthly compensation contingent in amount upon the number and personnel of his family, so long as his disability shall continue. If he loses his life in the line of duty and not as a result of his own wilful misconduct, the government will pay to his wife or child or widowed mother, all of them if he has them, if not, such as he may leave, a certain fixed monthly compensation so long as the widow or widowed mother remains a widow, and to the children until they arrive at the age of eighteen years.

In addition to these provisions, the government declares that if he desires to purchase additional protection against his own total permanent disability, and against the loss of his breadwinning ability for his dependents through his death, it will provide that he may take not less than \$1,000 or more than \$10,000 of insurance, which shall be furnished him at the ordinary peace-time rates, less any loading for expense, and less any addition for the war hazard, the average rate being about \$5.50 per month for a \$10,000 policy. If the soldier is totally and permanently disabled, whether in the line of duty or not, this insurance shall be payable to him in 240 equal monthly installments until his death, or in the event of his death before the total number of installments have been paid, the remainder of such installments shall be paid to his designated beneficiaries. If he dies, the total

amount of insurance is paid to his designated beneficiaries in 240 equal monthly installments.

In carrying out this provision for the soldiers, which is an essential element of the scheme of employment of the soldiers, the Bureau of War Risk Insurance, which was created by Act of Congress, approved October 6, 1917, has written more than \$18,000,000,000 of insurance, and in carrying out all these provisions for his protection and welfare has actually mailed to the families of our fighting men up to this date more than 3,000,000 individual checks. This happens to be about the number of checks that the United States Pension Bureau issues each year to the beneficiaries of our pension list, representing the fighting men in all the wars of our country's history. In addition to the disbursements to the allottees of our soldiers and to their families, there have been 1,700 compensation claims paid, of which 1,096 have been on account of the death of soldiers, and 614 on account of their disability. These claims represent a monthly disbursement of \$44,000, and this amount is of course constantly increasing with the increasing number of disability claims constantly arising. The total amount of the money disbursed for allotments and allowances to the dependents of the soldiers is approximately \$75,000,000. There are about 750,000 of these checks being mailed now each month. The number is rapidly increasing. It seems certain that within the period of not more than sixty days the number of checks issued each month will be at least a million.

Probably the most remarkable phase of the growth and development of the War Risk Insurance Bureau has been in its insurance department. You will understand that the soldiers are permitted to take voluntarily not less than \$1,000 nor more than \$10,000 of this insurance, there being no element of compulsion whatever affecting their taking or not taking the insurance. We have at this time approximately 2,300,000 men, representing officers and enlisted men, in the army and navy of the United States. I think I am quoting the most recent figures that were given out on that subject. Last night there were eighteen and one-half billions of dollars of insurance in force in the War Risk Insurance Bureau, representing just about two and one-quarter million applications. I should say that that insurance probably covered 2,200,000 risks, because there are a few of the applications which represent more than one application for the same soldier. You may better visualize this growth of the War Risk Insurance Department during the past six months if I tell you that it has today in force nearly four times as much insurance as the largest private insurance company in the world. It has in force more than the twenty largest life insurance companies in the world put together. It has written within the past six months more insurance than all of the insurance companies, including fraternal, beneficial associations and insurance companies of every class, wrote in the United States for the year 1917. We have paid or we are paying 4,241 death claims under these insurance contracts, and ten total permanent disability claims, representing an average monthly disbursement of about \$189,000.

This scheme of provision for our fighting men is certainly the most

liberal provision ever made by any government in the history of the world for its fighting forces in time of war. It has seemed to me that it represented probably the soundest and wisest and most prudential form of employment ever used by any nation in time of war or in time of peace. May it not be that it will have an added value in that it will point the way to our country and to the nations of the earth for a rational and sound system of employment which will be mutually beneficial to society and to the worker for peace times as well as for war?

HUGH FRAYNE, of the War Industries Board: I think this war is going to do more to harmonize the world, although it is a great price to pay, than any other thing that could have happened. One of the things that it is doing is to make the government an employer, the largest employer in the world, the most humane and generous employer. As time goes on we shall increasingly realize that many things that might have appeared as impossibilities a few months ago have become actualities and are in operation, in order that we may meet conditions as they confront us today. Fifty per cent of all the money spent by the government today is spent in wages to those whom it employs. That applies not only to civilians but to the officers of the army and navy, the soldiers and sailors, men who are paid much less than they would receive as civilians, yet the conditions under which they work surpass to a very large degree those existing in any other government in the civilized world.

There is a great difference of opinion regarding the government as an employer. Personally I am glad to see that this change has taken place. I am glad that the government is an employer in control of the railroads. There may be some little difference as to wage conditions, which is only natural, since a new experiment dealing with millions of money and millions of employees is bound not to be immediately workable. But as time goes on I do not doubt that the relations between the government and all of its employes will be most amicably adjusted, so that strikes, actual or threatened, and difficulties of all kinds affecting the workers and their employer, the government, will be entirely eliminated.

This condition might well be taken as a pattern by employers in civil life. If there are any who complain that the government should not enter into the field as an employer, they themselves are responsible for forcing that condition. At this time I am sorry to say there are many who expect to use and exploit labor by working long hours for small wages, with the high cost of living such as confronts us today, and they cannot complain because the government, needing the services of men and women that this war may be not only fought but won, is not going to be an exploiter of labor. There will be no sweat-shop conditions, child labor law violations, or overworked and underpaid women workers where the United States government is the employer, and there will be a strict adherence to all labor laws, without labor disturbances.

There are many departments of the government that, whether through legislation or by conciliation, have been able to reach an understanding with their employes. As time goes on this relation can be fully developed. Many complaints by employers in various sections of the country have

come to my notice, that the government, through its direct or indirect contracts, had taken their employes away by offering a higher wage. Upon investigation it was made evident that under present conditions this was only a living wage, and that these people, notwithstanding the generous amount they received upon their contracts from the government, expected the government to assist them in maintaining low standards, making it impossible for workingmen to provide decently for themselves and their families. The government cannot be expected to maintain a low standard.

What has been done to meet the condition brought about by the war simply hastens the inevitable. The public utilities, the things that the government needs, should be under government control and it is now recognized that it would be better if other industries that are not under control as yet, were taken over. Then the government would be in a stronger position to cope with the many situations that arise as a result of the war and to deal with them, in my judgment, in a much more effective manner.

Labor is satisfied with the government as an employer. Little differences here and there are only small ripples on the wave. Labor will give to the government every ounce of strength, support and co-operation in the mines, the mills, the factories and the workshops, with one object in view—the winning of the war. It has declared that it would give its strength, its skill and its earnings to bring the war to a successful conclusion. But thereafter, there shall be no distinctions. This is neither a rich man's nor a poor man's war. It is the common cause of all the people of our country. Labor looks to the government of the United States not merely as a fair employer, but as an example of true democracy to the world, embodying the highest ideals in all its dealings with the people of our country, especially those whom it employs.

V. EVERIT MACY, chairman of the Shipbuilding Labor Adjustment Board: The war has brought us constantly face to face with many problems, but none that have been more complicated and far reaching than the labor problem. We have taken many steps to provide for a sufficient supply and distribution of raw material. So far little has been done in that direction in regard to labor, yet our raw materials are of small value unless we have the skilled labor in the right place to put those materials to use.

We have long been hearing much about economy, but in our use of labor we have been very uneconomical. The efficiency and usefulness of the individual have not been considered in any way, and there is no essential of industry in which we are shorter than in skilled labor and its proper distribution, and this very shortage has made us exceedingly wasteful in the use of labor. It has brought about a very abnormal turnover in labor, that is, the men have been changing from occupation to occupation, from shipyard to shipyard, or from industry to industry, which has resulted in lessened efficiency and added expense. Possibly I could not illustrate the situation better than by showing you some of the problems that our shipbuilding board has had to meet in the past few months. War brings about revolutionary changes and one of those was the establishment of

our Shipbuilding Labor Adjustment Board, created by an agreement between the Navy Department, the Fleet Corporation and the American Federation of Labor, and providing that all questions affecting hours and wages in the shipyards shall be submitted to this board, and that their decision shall be final.

We began operations early in September, and I think it is a great point in favor of this way of handling these labor matters, when I say that since September, although during that time there were possibly 80,000 men employed in shipyards, and now there are 350,000, there have been no strikes in any of the shipyards in the country of any moment during that period. There have been half a dozen strikes involving possibly 500 men, but they have not lasted more than twenty-four hours, and when the leaders have told the men that this was in violation of their agreement, and ordered them back to work, in every instance they have gone back. As a rule they have gone out because they did not understand how the disputes were to be settled, or that any machinery had been provided for settlement. Knowing the situation, they have gone back immediately.

There are two difficulties that stand out prominently. First, this labor turn-over, men shifting from yard to yard. We went out to the Pacific Coast, and after several weeks of investigation and public hearings, going from Seattle to San Francisco, we determined that the most feasible way of stopping this was to prevent any inducements to the men for changing from yard to yard. We therefore introduced a uniform scale of wages for the entire Pacific Coast.

This was the first industry in which such a board was established, because the government is taking practically the entire output of the shipyards, and is paying the entire cost of any increase in wages, thereby enabling us to take action, and enabling the establishment of this board between two parties, the government and the labor unions. The yardowner was not taken into consideration particularly, because he does not pay the bills. It costs him nothing if wages change.

This was radical, but it was not sufficiently radical. Our board was authorized only to establish a minimum wage. Now we find that owing to the shortage of labor and the large number of men still needed in the shipyards, our minimum wage has simply become a higher basis upon which to start bidding for men than formerly. The only step that seems possible in the present situation has been for the Fleet Corporation to say that it would not pay the bill if higher wage scales were paid than those provided by our board. But that in itself does not meet the situation, because we have had many instances of yardowners naturally anxious to live up to their contracts, who find themselves falling behind, with an insufficient supply of labor, and in several instances they have offered higher scales, paying the difference out of their own pockets. That simply creates discontent in the next yard, and even if it does not produce any strike, it at least continues this shifting of labor from one yard to another.

We have systematized it as far as possible by putting in one scale for the Atlantic Coast. That seems revolutionary in itself. The scale extends from Maine to Texas. When we first began on the Atlantic Coast we had

three scales of wages, but immediately we began to hear from yardowners and the Fleet Corporation officials that men were leaving the two low points and going to the high point, so that all the yards where the scale was below the high point were short of men. We then made one scale for the entire coast.

But the problem is far broader than that, far broader than any one industry. To meet it we must go further; the government and the employers must realize this as well as the men. We must establish for various industries not a minimum wage or a maximum wage, but a standard wage; and some relation must be established between various governmental departments, because we find that while we have prevented the shifting of labor from one shipyard to another, labor is now shifting from one industry to another, and from one governmental enterprise to another. It is not at all uncommon for us to have complaints from yardowners here in New York—I have in mind one particular yard in this vicinity which has been almost closed down because we prescribed certain hours, certain allowances for overtime and certain wages, and another government department, whose prevailing rate is different from ours, let large contracts in the vicinity, thereby absorbing all the men from that particular shipyard. Yet we cannot change to meet that local condition, because if we do, it means changing the scale all along the coast. We have to begin to think in larger terms, not in local terms or terms of our own particular industry or shop. We must think nationally. Many yardowners come to us and say, "If you will allow us to do this or that we can turn out so many more ships." But we reply, "How is that going to affect the yard next-door to you, and the yard in Philadelphia or Boston? Will this change produce a greater national output of tonnage, or will it be confined to your yard and create disturbance in other yards?"

The next steps to take in this field are these: First, establish centralized federal labor employment bureaus in all important sections. Instances of the difficulties arising when private employers are permitted to advertise freely will illustrate the importance of the suggested bureaus. A certain shipyard advertised for 500 men, having discharged 200 the previous day. They may have advertised for blacksmiths to come from Oklahoma to New York. There was no knowledge whether they were qualified blacksmiths or not, but the men, who might not fit the position, traveled clear across the country. Another instance is that of 300 boiler makers who were sent to Seattle, with their expenses paid, to work in a shipyard, and they had not been there three weeks when a manufacturer of ice machines in St. Paul offered to pay their fare there in an effort to lure them to St. Paul. It is simply a merry-go-round. This condition could be largely eliminated through central employment bureaus.

The other necessary step is to have closer co-ordination between the various government departments, and in addition to them, with the private employer who has no government contract. He and the men employed by him, as well as those in government work, must be controlled in some manner. We fixed a wage on the Atlantic and Pacific Coasts which at the time it was fixed was a liberal wage, allowing for the full increased cost

of living, a wage sufficient to attract skilled men to the shipyards, and now many men have left the yards because some of the automobile industries offered them fifteen cents an hour more than would have been permitted in the shipyards. For us to meet that increase in wages does not increase the number of coppersmiths. There are only 1400 or 1600 coppersmiths in the country, and if we raise our scale fifteen cents it will not create one more man. It would simply mean that these outside industries would raise their scale to one dollar.

Unless we are all prepared to take more radical steps than we have yet taken, without fear of what will happen after the war, but take the necessary steps to win the war, we shall not get our full maximum output for war purposes.

THE GOVERNMENT AS EMPLOYER—LABOR INFLATION

SAM A. LEWISOHN

IT is interesting to note that while the country has been comparatively prompt to see that the direction of all our material resources, whether raw materials or finished products, must be handled from a national point of view, it is only just coming to realize that as to its intangible resource, labor, this government must also regard itself as if it were an individual; whether labor is employed in so-called "private" or so-called "public" enterprises. Thus we have had priority in copper, steel and transportation, but no priority in labor. We have had government price-fixing in copper, steel and transportation but no fixing of standard wages for labor. Yet labor is the base on which all our material resources for war or other purposes must be built. Some of the unfortunate conditions outlined by Mr. Macy are due to this disparity in approach. Our tardiness in treating this problem as we have treated other problems is no doubt due to the greater delicacy of the labor problem and to the intricate political and social problems involved.

Mr. Macy has given you his experience as an official member of the employing staff of the government. I can speak only as an unofficial member of that staff of the government—that is, as an officer of a "private" essential industry. One of our plants happens to be turning out a product that a division of the ordnance department has denominated as "the most important article now being manufactured on the war program." We employ approximately 1,500 men and have increased the wages of our labor an average of eighty per cent since 1914. This year alone we have made two increases of ten per cent each. The prices of our products are fixed by the government under the proper theory that we are merely a branch (unofficial of course) of the government, but on the other hand the price of our labor is not so fixed. A large number of plants manufacturing for the government have been built in the vicinity, but none are manufacturing any product more essential to the government than ours—many not nearly so essential. Members of our force are being continually enticed to these plants. Our force happens to form a peculiarly isolated community which is clannish in its habits and resents any newcomers from outside, so it is

difficult to supplement. On the other hand, an influx of labor agents is causing a continual seepage from our plant. We should be glad to pay almost any reasonable rate if we knew just what the ultimate rate would be, but there is practically no standard which we can set for ourselves and the question of the increased cost of living has long been passed. Thus with the selling price of the product fixed, there is a variable at one end and a constant at the other; and owing to the uncertainty of our labor cost we have no means of reporting to the government what our present costs are as a basis for a readjustment of the price so fixed.

But the main evil is the resultant instability. It is true that the greater number of men who leave the plant do not, taking in all the circumstances, better their condition, but are merely tempted by the alluring picture painted by some all too competent labor agent. They may and in many instances do, return, merely having disturbed the continuity of their work and helped to increase railroad congestion. The very competency of the agent in question as a salesman is thus a social detriment. This unrest and instability, though it may be a healthy symptom in normal times, is a serious menace to the government's great war undertaking; for this particular enterprise must be regarded as merely a typical branch of that undertaking.

The laboring man is in no way to be blamed—he is restless and "on the make," but this is because the conditions artificially created are admirably adapted to invite this attitude. It is the reaction which urges all of us on to better our conditions—a creditable and healthy instinct. Of course, a certain percentage of the increase in wages was desirable from a social point of view, but now it comes to a point where we are having what might be termed "labor inflation." We are attempting to prevent inflation in other directions by our taxation system and our price fixing, but we have failed to prevent inflation in this most important factor of our industrial cost.

The result is that our plant is meeting great difficulty in turning out our essential product in the quantities imperatively desired by the government. It is this basic labor problem that hampers us. Other problems, and there are many, those of us responsible for the management of the plant can solve and have solved, but here we are helpless in the face of a national problem. We have found from realistic experience that the government is the employer—and it alone can solve the problem.

The remedies for the conditions described are well recognized—they are not only a standard rate of wage but also a priority system exercised through our labor exchanges. Through direct or indirect pressure we employers must be compelled to procure labor through these official agencies, and these agencies must enforce a priority system. The main thing is that the government shall recognize itself and be recognized as the real responsible employer. The problem has been placed in splendid hands under the direction of Mr. Felix Frankfurter, but if his efforts are to meet with success, we employers and employees, recognizing that we are merely agents of the government, must co-operate in every way and cheerfully make the sacrifices which co-operation will necessarily entail.